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REAP | Restoring Efficiency to Agriculture Production
საქართველოს სასოფლო-სამეურნეო
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RESTORING EFFICIENCY TO AGRICULTURE PRODUCTION (REAP) ACTIVITY IN GEORGIA

Quarterly Progress Report Project Year 2. January 01, 2015 - March 31, 2015



Restoring Efficiency to Agriculture Production (REAP) Activity in Georgia

Quarterly Progress Report

January 01, 2015 – March 31, 2015

USAID Contract

AID-114-C-13-00002

Implemented by CNFA

Submitted to:

USAID/Caucasus

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Submitted on April 15, 2015

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Acronyms

APMA	Agricultural Projects' Management Agency
BSP	Business Service Provider
CBA	Cost Benefit Analysis
CEO	Chief Executive Officer
COP	Chief of Party
COR	Contracting Officer's Representative
DCFTA	Deep and Comprehensive Free Trade Area
EMMP	Environmental Mitigation and Monitoring Plan
EOI	Expression of Interest
ERC	Environmental Review Checklist
EBRD	European Bank for Reconstruction and Development
ENPARD	European Neighbourhood Programme for Agriculture and Rural Development
EU	European Union
FSC	Farm Service Center
GAP	Good Agricultural Practices
HACCP	Hazard Analysis & Critical Control Points
I/E	Individual Entrepreneur
ISP	Information Service Provider
M&E	Monitoring & Evaluation
MEO	Mission Environmental Officer
MOA	Ministry of Agriculture
MoED	Ministry of Economy and Sustainable Development
MSC	Machinery Service Center
NEO	New Economic Opportunities
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PHHP	Postharvest Handling and Processing
PMP	Performance Monitoring Plan
PP	Primary Production
PR	Public Relations
Q1	Quarter One
Q2	Quarter Two
Q3	Quarter Three
Q4	Quarter Four
REAP	Restoring Efficiency to Agricultural Production
RFA	Request for Application
RFP	Request for Proposals
SEAS	Strengthening Extension and Advisory Services in Georgia
SME	Small and Medium Enterprises
STTA	Short Term Technical Assistance
TA	Technical Assistance
TOC	Terms of Cooperation
USAID	United States Agency for International Development
USG	United States Government

Executive Summary

The completion of quarter two in project year two brings REAP to a major milestone. Four full rounds of grant solicitations and applications have taken place, and the end of grant funding is clearly in view. Scoring for round four applicants will be done by the end of Q2 and will be followed with site visits. Results through round three include 47 grants awarded, with an expected 12-14 to be added from round four for an estimated grand total of 61 grants underway after 18 months of project life. This leaves an estimated \$450,000 to fund one final round which will be aimed at processing enterprises. The REAP grant fund of \$6 million will be fully expended by Q3 of REAP's second year.

The rapid implementation of REAP's grant component results in several benefits. These include longer running life and productivity of grant enterprises, highlighting the importance of the REAP technical assistance component, identifying critical cross-cutting areas to be addressed, and confirming the utility of the REAP grant model. Through just six quarters of implementation, REAP is pleased to notice significant results by its grantees, including:

- More than \$12M leveraged in private sector matching contribution;
- More than \$12M in commercial finance facilitated;
- 278 rural jobs created;
- More than \$8M in gross incremental sales from grantees; and,
- More than \$1.1M in primary agricultural products supplied to postharvest SMEs by farmers.

It is important to recognize the validity of selecting the best investment proposals for grant awards as opposed to arbitrary targeting by region, grant amount, project category, or other selection qualifications. This is a valuable REAP lesson learned. Other lessons emerging during Q2 include:

- Grant applications have consistently improved from round to round. In part this is due to enterprises recognizing the benefits of engaging consultants. This represents a capacity-building success for REAP.
- Improvement is also evident in the ability of REAP to process grant applications efficiently and effectively. This process has evolved and now operates at the highest efficiency since program inception.
- Market response indicates that processing enterprise grants are the most sought-after in the REAP portfolio.
- Grants are distributed relatively evenly across Georgia. Thus, grant demand is national in scope.
- Geopolitical issues are ever present as potential problems. Note the tenuous nature today of Ukrainian and Russian markets.
- DCFTA and testing/certification are critical current program areas. REAP was correct to take early action in these areas.
- Grantees are becoming increasingly interested in technical assistance support to their enterprises.
- A core group of donor programs and practitioners have been identified over time with whom REAP usefully cooperates. These include APMA, SEAS, NEO, ENPARD,

Partnership Fund, several banks, and several universities. This list will continue to expand.

In general, while the REAP program has unfolded rapidly, it also has been relatively smooth. However, grant procurement within permitted geographic zones has become an issue. This has resulted in three reluctant requests to USAID for geocode waivers, which are timely to obtain. REAP addressed this problem and from round three forward has modified procedures to eliminate the need for waiver requests.

Having observed the lack of experiential opportunities for youth to prepare for careers in agriculture and in management, REAP developed a program to address this problem. REAP now engages 13 interns on a rolling basis from various universities in its central and regional offices. Each intern has substantive responsibilities and is assigned specific staff supervisors. The internship program has matured even further in Q2. REAP has arranged work placement of other university agriculture students into REAP grantee and non-grantee enterprises. This practical work experience has been lauded by both students and their universities. The REAP intern program now attracts hundreds of applications from numerous universities.

The value and relevance of REAP experience is being increasingly recognized. An example is the recent request from the Agriculture Projects Management Agency (APMA) to conduct a national level training program for bank agriculture loan officers. This will be on a cost-share basis and will significantly contribute to greater access to finance by agriculture enterprises.

Several cross-cutting areas have emerged as requiring more attention and resources than originally anticipated. These include access to finance which warrants significant continuing focus. Three banks now have requested direct assistance in increasing their lending in agriculture. This is a major program accomplishment. We also observe that technical assistance in branding and labelling has generated more and higher level interest among grantees than originally expected. Further, the REAP Gender Initiative resulted in a number of useful activities highlighted by the approval of 11 women-owned enterprise as grant recipients.

The early fulfillment of the overall REAP grant component requires increased attention to opportunities for formal openings, ribbon cuttings, and related events. Accordingly, during Q2, REAP developed a program approach to recommend certain events and visits for USAID staff for defined reasons. Included in this approach is to arrange multiple experiences for USAID officials within each field trip arranged.

Other developments of note emerging from Q2 activities include:

- Changing GEL exchange rates as a key factor in REAP grantee and beneficiary enterprise decision-making;
- High potential through REAP grantee demonstration plots to increase the technical level of Georgian farming and stimulate adoption of higher-level technical approaches by all beneficiaries;
- Identification of blueberry production as a possible high-impact development area within the agriculture sector;

- Observing the significant positive environmental impact REAP grants have on affected local areas. This is an underappreciated program benefit.

Given the current level of grant implementation, emphasis over succeeding implementation quarters for REAP will be transitioning from grant-giving to utilizing technical assistance applications to ensure the success of REAP grant enterprises. The financial success of REAP's grant agribusinesses remains the ultimate measure of program success.

Summary of Achievements in Quarter Two

Component 1: SME Development in the Agriculture Sector	Component 2: Technical Assistance Program	Cross Cutting
<ul style="list-style-type: none"> • More than \$500,000 in grant funding awarded to 11 women owned businesses, leveraging \$1.5M in private sector match. • More than \$8M in gross incremental sales registered by REAP supported SMEs • More than 170 entrepreneurs attend outreach events, resulting in 27 FSC/MSD applications. • Procurement complete for 10 grantees 	<ul style="list-style-type: none"> • DCFTA training provided to 21 agribusinesses and representatives from APMA and MOA. • ISO 22000 and Global GAP consultancies launched for REAP supported agribusinesses. • Individual packaging and labeling consultancy provided to seven grantees. • Two field days conducted in orchard management for 69 farmers. 	<ul style="list-style-type: none"> • Terms of Cooperation signed with TBC Bank to develop new lending products. • Gender platform launched. • PERSUAP for USAID/Georgia's agriculture portfolio submitted. • To date, more than \$12M in new finance facilitated.

Detailed REAP Progress by Activity and Component

Operations, Facilities and Equipment:

REAP continues to maintain three offices located in Tbilisi, Kutaisi and Telavi. The Tbilisi office remains the main project office, with the regional offices in Kutaisi and Telavi housing regional coordinators and two interns who are responsible for monitoring the progress of grantees and collecting data for REAP's PMP. In March, REAP began an internal analysis of expanding office space in the Tbilisi office by purchasing unused space in the adjacent office suite. This expansion will allow REAP to add an additional small conference room and house its procurement team.

Document and Deliverables Submission:

A summary of documents submitted to USAID in Q2 may be found in the table below:

Document	USAID Submission	Submission Date	USAID Approval
Project Reports and Manuals			
<i>PY 2 Q1 Report</i>	Submitted	January 14, 2015	Approved
<i>Revised Grants Manual</i>	Submitted	March 25, 2015	Approved
RFAs and EOIs			
<i>Grant RFA 05/0415</i>	Submitted	March 25, 2015	Approved
TOCs			
<i>Agriculture Product Development with TBC Bank</i>	Submitted	January 14, 2015	Approved

Short-Term Technical Assistance Reports			
PERSUAP	Submitted	February 19, 2015	Pending

Program Outreach and Communications:

Outreach: In Q2, REAP held program outreach events across two programmatic areas: grants component and non-grantee technical assistance. Through these outreach initiatives, REAP reached approximately 192 individuals, including 22 women. Details on the two outreach areas may be found below.

Grant Component: To raise awareness and answer questions from potential grant applicants from RFA 004, REAP held nine outreach events across eight regions of Georgia. Led by REAP's Agribusiness Investment Director and Farm Service Center Specialist, these outreach events were attended by more than 170 people, of which more than 10% were women. A detailed list of

Region	City	Date	#Participants	Women	Venue
Kakheti	Telavi	26-Jan	9	3	USAID/REAP Regional Office
Shida Kartli	Gori	27-Jan	18	2	Gori Civic Engagement Center
Samtske-Javakheti	Akhaltzikhe	28-Jan	10	0	Akhaltzikhe Civic Engagement Center
Imereti	Kutaisi	29-Jan	19	0	USAID/REAP Regional Office
Racha-Lechkhumi	Ambrolauri	30-Jan	20	1	Municipality Building
Samegrelo	Zugdidi	31-Jan	17	3	Zugdidi Civic Engagement Center
Guria	Ozurgeti	2-Feb	29	2	Ozurgeti Civic Engagement Center
Adjara	Batumi	3-Feb	26	5	Batumi Civic Engagement Center
Tbilisi	Tbilisi	11-Feb	28	6	USAID/REAP Tbilisi Office
TOTAL			176	22	

outreach events and participant attendance may be found below.

Non-Grantee Technical Assistance: Based on discussions with APMA, REAP's technical assistance held a public outreach event to promote technical assistance opportunities for APMA Cheap Credit beneficiaries. The first outreach event took place in March, at REAP's regional office in Telavi, and was attended by 16 APMA supported agribusinesses. REAP utilized this outreach event to explain REAP's technical assistance facility, to communicate REAP's TA directions, and to discuss terms of cooperation. At the request of APMA and in line with REAP's non-grantee technical assistance plan, REAP will hold similar outreach meetings in April and May through different regions of Georgia.

Communications: To ensure REAP's communication materials are up to date and informative, REAP's Outreach and Communications Specialist updated REAP's one pager and brochure. In addition, REAP began working with two video production companies to produce five videos that will document project activities over the life of the project. These videos will focus on the development of REAP's grantees, REAP's Gender Initiative and will capture overall project activities. These videos will be produced in English with Georgian subtitles and will be utilized to share REAP's story and promote USAID's work in Georgia.

Component 1: SME Development in the Agriculture Sector

At the end of Q2, REAP had committed more than \$4.2M of its \$6M grant portfolio, leveraging more than \$12M in private sector funding. REAP is pleased to have greatly exceeded its contract deliverable that requires \$1.5M of grant funding obligated by Q2. In addition, REAP has already obligated more than \$600,000 to women owned businesses, exceeding its contractual obligation to commit 10% of total grant funding to women.

These investments will create 529 new jobs, 23.4M GEL in new cash markets for smallholders, provide 45.8M GEL in new input and machinery services to farmers and generate 17.4M GEL in new postharvest sales.

RFA 003/1014 (Gender Initiative)

In Q2, REAP finalized site visits, investment proposal writing and submitted full grant applications for 11 enterprises from RFA 003/1014, which exclusively targeted women owned businesses. These 11 approved enterprises consist of one FSC/MS, two primary producers and eight postharvest handling and processing enterprises. While the median and average grant sizes of \$35,584 and \$47,971 respectively were significantly lower than in previous rounds, grantee's cost share remained robust. In total, \$527,682 was committed to these 11 women owned businesses, leveraging \$1,539,195 in private sector match, representing more than \$2.9 in private sector match for every \$1 in USAID grant funding. A detailed list of approved grants from RFA 003, including their grant amount and cost share may be found below.

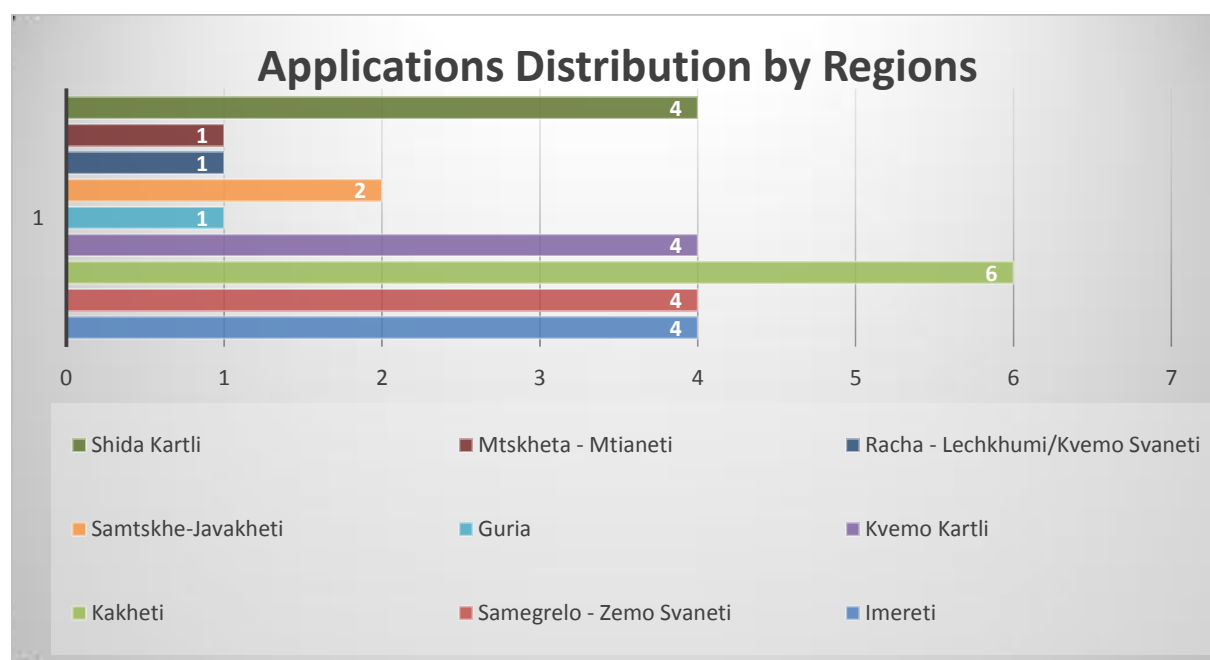
Name	Project Type	Region	Grant Amount (\$)	Cost Share Amount (\$)
I/E Marina Akolashvili	PHHP	Gurjaani/Mukuzani	\$123,000	\$290,513
Ltd. Gemuani	PHHP	Zugdidi/Zeda Etseri	\$118,000	\$398,599
Ltd. Santa	PHHP	Tsalka/Santa	\$115,070	\$285,410
GILE Cooperative	PHHP	Gurjaani/Chumlaki	\$46,722	\$178,393
Ltd. Zoreti	PHHP	Borjomi/Kvabiskhevi	\$41,900	\$108,509
Ltd. Laboratory Dr. George	PHHP	Gardabani/Mukhrovani	\$35,584	\$135,704
I/E Ia Chkadua	PHHP	Mestia/Lukhi	\$14,980	\$37,736
Nektari	FSC	Chiatura/Chiatura	\$12,457	\$48,537
I/E Ia Urushadze	PP	Ozurgeti/Vakijvari	\$10,000	\$26,803
I/E Lali Chankseliani	PP	Ozurgeti/Baleti; Ozurgeti/Gurianta	\$6,000	\$17,155
Cooperative Diognisi	PHHP	Khulo/Lukhi	\$3,969	\$11,836
Total			\$527,682	\$1,539,195

RFA 004/0115 (FSC/MS Grants)

In January, REAP released RFA 004/0115 soliciting applications to establish or strengthen new and existing FSC/MS enterprises. Based on REAP's first year of experience, a targeted RFA

was issued to focus REAP's outreach and mobilization efforts. By targeting one priority area, REAP is able to invest in a focused manner and ensure that the proper entrepreneurs are responding to REAP's grant program. The identification and mobilization of proper entrepreneurs is paramount to REAP's goal of launching successful agribusinesses.

As with previous grant solicitations, RFA 004/0115 was posted on www.jobs.ge and www.reap.ge. To answer questions from potential applicants and mobilize entrepreneurs, REAP's Agribusiness Investment Director, FSC/MSC Specialist, and Communications and Outreach Specialist conducted nine outreach presentations across Georgia. In response to RFA 004/0115, REAP received 27 applications from nine regions of Georgia. Again, this demonstrates the national interest and penetration of REAP's grant program. The regional distribution of submitted applications are depicted in the chart below.



The quality of grant applications continues to improve with each RFA. Expressing increased competition for REAP grants, many FSC/MSC applicants hired consulting firms to assist in writing their application. Utilizing REAP's approved scoring matrix, the 27 applications were scored by a Technical Evaluation Committee (TEC) consisting of REAP's Agribusiness Investment Director, Primary Production Specialist, Postharvest and Processing Specialist, and Farm Service Center Specialist. On April 1, the TEC held a consensus scoring meeting to review and determine which applications should receive site visits. REAP's COR participated as a non-voting member.

Based on the results of the consensus scoring meeting, REAP's Environmental Specialist, Agribusiness Investment Director, and other technical staff will visit the grantees to verify financials, ensure applicants are adhering to environmental protocols, and to negotiate the terms of the investment proposal that will be submitted to USAID for approval.

Grants Implementation

All 36 grant projects approved in PY1 are in an active phase of implementation and throughout Q2 REAP continued to track grantees' progress and monitor their cost share contributions prescribed in their grant agreements. By the end of Q2, REAP's \$1.4M in disbursed grant funds leveraged more than \$6.6M in matching investment from the private sector. In Q2, REAP added 11 new grant projects to its portfolio. These grants were approved in March, and many have already begun construction by utilizing REAP's no-risk agreement. To date, REAP's grant portfolio is leveraging \$2.87 dollars in private sector money for each \$1 in USG funding, well above its target of \$2.33. Below please find information on REAP's private sector leverage by grant category.

	FSC/MS	PHHP	PP	ISP	Total
Cost Share Committed	\$5,148,399	\$6,648,583	\$159,350	\$151,585	\$12,107,917
Cost Share Spent	\$3,151,389	\$3,380,238	\$47,610	\$38,650	\$6,617,887
Grant Funds Committed	\$1,890,871	\$2,203,313	\$ 55,050	\$64,245	\$4,213,479
Grant Funds Disbursed	\$607,055	\$740,529	\$36,967	\$19,584	\$1,403,864

Each grant project is assigned an activity manager who, in coordination with field coordinators based in Telavi and Kutaisi, are responsible for overseeing the implementation of the grant project. Information regarding cost-share, sales and purchases of raw materials, as well as information on new jobs and commercial finance are collected on a monthly basis. To date, REAP's active grantees created 278 new rural jobs, sold \$8.3M in new products, accessed more than \$5M in new commercial finance and provided more than 37,000 smallholder farmers with short-term agricultural trainings. Please see Annex A for a map of REAP's grantees.

Susan Fritz's visit to Agrokartli Ltd

On February 28th, REAP hosted USAID Acting Administrator for Europe and Eurasia, Susan Fritz, USAID/Georgia Mission Director Stephen Haykin, and USAID/Georgia Deputy Mission Director Thomas Morris at REAP's grant project Agrokartli Ltd. Located less than 20 km from the occupied territory of South Ossetia, Agrokartli provides inputs and farm services to more than 25,000 smallholder farmers. Utilizing REAP's \$134,250 matching investment, Agrokartli



leveraged more than \$480,000 to upgrade their facilities, provide new veterinarian services, and to offer a full range of machinery services to smallholder farmers. Equipped with modern conference rooms, Agrokartli will employ four agronomists who will deliver one-on-one consultations and group trainings to more than 1,500 farmers. In addition, Agrokartli will operate a 4 ha demonstration plot that will showcase new technologies, demonstrate modern production practices and highlight improved varieties. Access to these farm services will result in higher quality and quantity production and increased incomes in this highly vulnerable area of Georgia.

Deputy Mission Director visits REAP grant projects

On March 26-27, the Deputy Mission Director and REAP's COR visited 6 grant project sites in Kakheti Region to see projects on a different stage of their development and to observe the progress made by grantees. Out of six visited projects two were recently awarded gender initiative applicants: Laboratory Dr. George and I/E Marina Akolashvili. The other four projects were newly established FSCs "I/E Davit Omanashvili", "I/E Tsisia Dighmelashvili", "Luk-Agro Ltd" and an expanded one "Agroservice". Mr. Tom Morris expressed his satisfaction with REAP's performance and willingness to continue such site visits to other regions of Georgia. In Q3, along with the grant project openings REAP will organize tours of several grantee sites in West Georgia for USAID Deputy Mission Director and the COR to participate.



Procurement for Grant Projects

With the agriculture season beginning in early Q3, procurement continued to be a major programmatic activity in Q2. To date, REAP has successfully procured more than \$1.4M in new equipment for its grantees and has an additional \$730,000 in contracts. To date, REAP has completed procurement for 10 grantees with another 26 underway.

Due to limited demand for fresh fruit and vegetable processing equipment in Georgia and former Soviet Union countries, REAP continues to experience moderate difficulties procuring this equipment from countries authorized with REAP's Geographic Codes. During Q2, REAP worked with existing grantees to adjust their grant budgets to mitigate the need for USAID procurement waivers and informed all new grantees of REAP's Geographic Code restrictions. In addition, REAP worked closely with USAID to obtain a procurement waiver for processing equipment for AgroInvestService.

Contract Amendment

At the request of REAP and in consultation with the COR, REAP received a formal contract modification from the Contract Officer on February 18, 2015. This modification removed the limitation of REAP's grant funds by priority direction and allows the program to fund investment projects with the greatest potential for sustainable development and economic impacts regardless

of their direction. In addition, the Contract Officer added language to REAP's contract regarding USAID's new policy on open data and requires REAP to submit data sets to USAID's Development Data Library (DDL).

Component 2: Technical Assistance Program

REAP's technical assistance component provides individual consultancies and group trainings to agricultural enterprises and commercial farmers to support the sustainability of increased agribusiness investment and to improve on-farm production and quality. In Q2, REAP provided individual consultancies and group trainings in packaging and labeling, improved agriculture practices, food safety, and DCFTA requirements.

Packaging and Labeling Consultancies

In line with requests from grantees and the recommendations made by REAP's international marketing consultant in Q1, REAP began to assist seven enterprises out of eight selected with tailored packaging and labeling assistance. The eighth company Sephieturi Ltd will receive the similar consultancy once construction/renovation is completed on the project site. Utilizing local branding companies, REAP is assisting these seven enterprises establish more competitive brand imagery and to develop functional communication campaigns to increase the awareness of their product and assist them compete in international markets. In Q2, creative briefs and competitive landscape research was conducted for all seven enterprises. REAP continues to engage the international marketing consultant on a limited basis to provide technical input to the strategies developed by the local branding firms and to ensure their designs meet international best practices and trends. REAP intends for all new packaging and labeling to be in place by the end of Q3.

Farmer Field Days

In line with REAP's Demonstration Plots Action Plan, REAP organized two farmer field days in Q2. Both field days were hosted by REAP's grantee Giorgi Tediashvili, who operates an apple nursery in Kareli, and focused on increasing the knowledge of local farmers in modern agricultural technologies through subject specific trainings and demonstrations on pruning and seedling grafting practices. The first farmer field day highlighted improved rootstock that will increase the yields for farmers and showcased various pruning practices applicable to modern intensive orchards. The

second field day took place at non-grantee AgroService farm service center in Kareli and focused on proper grafting techniques for various seedlings. The events were attended by 69 representatives of farm service centers, local farmers and students from Agrarian and Technical universities.



Throughout Q2, REAP's demonstration plot consultant continued to monitor REAP's demonstration plots operated by REAP's grantees. REAP's no till and minimum till demonstration plot continues to show promising growth rates of winter wheat compared with traditional tillage. To ensure pursuance of showcased activities with the agriculture production cycles and crop calendar, REAP will host up to four farmer field days in Q3 that will be dedicated to pest management, fertilizer application and seedling and irrigation practices.

Soil Test Interpretations Software for Local Laboratories

Presently, Georgia is equipped with six laboratories capable of providing soil testing services for farmers. These laboratories rely on hired agronomists to develop specific recommendations based on the results of the analysis and charge farmers up to 50 GEL per recommendation. The cost of these analyses are not only cost prohibitive for most farmers, but also result in inconsistent and often inaccurate recommendations. To mitigate these problems, soil laboratories in the US and Europe developed soil test interpretation software that provides consistent and objective recommendations to farmers.

To assess the feasibility of utilizing soil test interpretation software in Georgia, REAP engaged an international expert that holds a doctorate in soil sciences and is a leader in the design of soil test interpretation software. REAP continues to work with the consultant to determine the financial and economic feasibility of introducing soil testing software to Georgian laboratories that will increase the efficiency and objectiveness of soil tests for farmers.

Individual Consultancies for Food Safety and Quality Management

To support Georgia's export potential to higher value European markets, REAP's technical assistance program aims to introduce internationally recognized food safety and quality standards. In Q2, REAP began working with grantee enterprise, Farkoni, to assist them in gaining ISO 22000 certification. Implemented by a local consultancy firm and cost shared by Farkoni, ISO 22000 will enable the enterprise to access higher valued European markets. Currently, Farkoni's Food Safety Manual is under development which will document all management processes and standard operating procedures necessary to obtain ISO 22000 certification. Obtaining ISO 22000 certification is closely linked with REAP's grant project and all new equipment purchased under the grant agreement will be integrated into Farkoni's new food processing system to ensure adherence to ISO 22000 standards.

In Q2, a new grantee Gemuani Ltd requested technical assistance from REAP to receive a consultancy to obtain Global GAP certification. Operating a fresh fruit and nut plantation in Zugdidi, Gemuani seeks to sell to European markets where Global GAP certification is a requirement. REAP, through a competitive tender, identified a local consulting firm to provide technical assistance and to oversee Gemuani's Global GAP accreditation process. REAP envisions Gemuani to be Global GAP certified by the end of Q4.

With the DCFTA effective as of September 2014 and the ongoing approximation of Georgian legislation to EU standards, it is essential for Georgian processing companies to adhere to globally recognized food safety standards that will allow them to take advantage of new export opportunities. To assist REAP's processing grantees, REAP developed an RFP to identify qualified BSPs that will provide focused assistance to ensure the processing companies are in full

compliance with general hygiene and sanitary rules set by Georgian legislation (Governmental Decree N173, dated June 25, 2010). This technical assistance will help up to 15 of REAP's processing grantees to identify specific deficiencies in their food safety procedures and to provide recommendations on how to address them in a timely and efficient manner. REAP expects this consultancy to be completed by the end of Q4.

Business Management Group Trainings

Recognizing the need for enterprises to appreciate the need for and to develop long term strategic plans, REAP released an RFP to solicit proposals from local consulting companies to provide an enterprise strategic planning training course to REAP's farm service centers and processing grantees. This training will assist the enterprises identify strategic options that align with their long term competitive advantages and to implement strategies that will contribute to higher results and improved performance. In addition, due to the rapid appreciation of the dollar against the Georgian Lari, the consulting firms will provide advice on foreign exchange management. This training will occur in late April and it is anticipated that up to 30 agribusinesses will attend.

DCFTA

The Deep and Comprehensive Free Trade Area (DCFTA), as a part of the Association Agreement between Georgia and the EU, will create a strong impetus and new opportunities for Georgian firms to export agricultural products and services to EU markets. To capitalize on opportunities created through the DCFTA, in Q1 REAP contracted a consortium of Agricultural University of Georgia and Free University to analyze specific export opportunities, hold workshops on the DCFTA to benefit the agricultural community, and to provide tailored recommendations for REAP beneficiaries to meet relevant EU regulations and to adhere to standardization procedures.



In February, REAP and its subcontractors delivered a three-day training course on DCFTA requirements and regulations relevant for Georgian agribusinesses. Attended by 21 agribusinesses and members of the Ministry of Agriculture and National Food Agency, the training course provided an overview and analysis of DCFTA requirements related to sanitary and phyto-sanitary measures, HACCP, rules of origin, tariffs, customs, regulations, food labeling and hygiene rules. On the final day of the training, the Deputy Minister of Agriculture and USAID's Deputy Mission Director attended and jointly presented certificates of completion to participants. The subcontractors are continuing to provide follow-up consultations to training participants in HACCP, food labeling, and rules of origin. The event received full TV and print media coverage from the Business Courier TV program and Georgia Today.

Survey of Technical Assistance Needs

One of REAP's primary objectives is to provide tailored and demand driven technical assistance that will augment the capital investment of enterprises and REAP to improve competitiveness, increase sales, ensure sustainability and improve the technical capacity of supported enterprises. To ensure REAP's technical assistance efforts corresponded to the needs of the private sector, in March REAP disseminated a questionnaire among the 36 grantees from Round I and I to re-examine their TA needs. The results of this survey will inform the development of group trainings and individual consultancies for the remainder of PY2 and assist in the development of PY3's Work Plan.

Non-Grantee Technical Assistance

In Q2, REAP continued to solicit applications for and provide non-grantee technical assistance. Provided on a 50-50 cost share basis, non-grantee TA is utilized to provide expertise to enterprises in food safety and quality standards, business plan development, and production and postharvest practices.

In Q2, REAP began its technical assistance program with Vanrik, a blueberry producer, to assist them with proper orchard management and postharvest handling operations. REAP contracted an international blueberry expert to provide Vanrik with individual consultations on blueberry production and processing and to train their agronomists as well as local farmers. In March, the consultant made his first of three trips to Georgia to assess the plantation and review their capital expenditure plan for establishing a blueberry processing facility. Described as "revolutionary assistance" by Vanrik's CEO, the consultant provided recommendations on Vanrik's proposed processing facility that will save the company more than \$200,000 in capital investment. The consultant's next visit to Vanrik will be in May, where the focus of the assignment will be to train Vanrik's agronomists and local farmers in best blueberry production practices.

In PY1, REAP supported non-grantee Stimor Associates to develop a bankable business plan and to source affordable and appropriate financing. In Q2, REAP's Technical Assistance Component Leader utilized this business plan to secure a new \$7M loan for Stimor Associates. This loan is in addition to the \$2.2M loan already facilitated by REAP. Stimor Associates will utilize this capital injection to expand their greenhouse production of off-season vegetables. With this increased finance, Stimor Associates will hire an additional 78 employees (18 full-time and 60 seasonal) and will serve as a model greenhouse operator in the sector.

Monitoring and Evaluation (M&E)

Throughout Q2, REAP's M&E Manager continued to track the performance of Round 1 and Round 2 grant projects against their established targets. Most of the program PMP indicators are scheduled to be collected on an annual basis, although in order to maintain data quality and update program management on performance status, data is collected and analyzed on PMP key indicators that



relate to REAP's strategic goal, objectives and sub-objectives outlined in REAP's Results Framework on a quarterly basis.

Initial data collection is conducted by REAP Field Coordinators along with M&E team members. To ensure the validity of data quality and proper collection methodology, REAP's M&E Manager conducted site visits to all 36 of REAP's grantees from the first two rounds and collected corresponding data on their activities for the period of January-March 2015.

All 36 grants are making significant progress against their cost-share obligation. Through six quarters, grantees have reported more than \$6.5 million in new private investment.

With the agricultural season beginning in Q2, REAP's grantees are beginning to record significant increases in gross incremental sales. During Q2, sales of input and machinery services were the strongest contributor to REAP's portfolio. This is expected as Q2 falls during the planting season and the majority of postharvest sales will take place after the harvest.



The performance data on some of PMP key indicators from current quarter is given in the table below:

Indicator	Contractual LOP	Actuals to date	Progress
Value of additional financing obtained by the private sector	\$7,000,000	\$12,100,540	173%
Value of new private sector investment in the agriculture sector	\$14,000,000	\$6,427,311	46%
Gross incremental sales by USG assisted SMEs (all type)	\$40,000,000	\$8,329,750	21%
Gross incremental sales by USG assisted SMEs (PHHP)	\$15,000,000	\$4,569,025	30%
Gross incremental sales by USG assisted SMEs (FSC)	\$15,000,000	\$2,561,679	17%
Number of jobs created with USG assistance	750	278	37%
Number of distinct clients purchased products or services from USG assisted SMEs	135,000	36,524	27%
Number of farmers supplying primary agricultural products	2,500	707	28%
Additional pieces of agricultural machinery (including tractors and related equipment)	102	95	93%
Value of primary agricultural products supplied by farmers	\$10,000,000	\$1,128,232	11%

CBA

REAP continues to monitor and collect data for the 11 enterprises involved in the CBA and during Q2, REAP added an additional two enterprises to the CBA analysis. This representative sample allows us in total to analyze data of 4 FSC/MS, 4 PHHP, 4 PP and 1 ISP projects. The financial CBA for all these 13 businesses is now complete and in Q3, data at the farm level will be collected in order to monetize the economic impact of REAP's interventions. During field

visits, the M&E Manager along with grantees planned farmer's mini surveys to be conducted in upcoming months. These farmer mini survey's will inform REAP's PMP and CBA analysis.

Environmental Management and Monitoring

In Q2, REAP's Environmental Management and Monitoring focused on three main activities: 1) development of environmental review checklists (ERCs) for round 3 grantees; 2) conducting site visits to monitor the progress of REAP's approved grantees, and 3) finalizing and submitting the Evaluation and Safe Use Action Plan (PERSUAP).

ERC Development for Round 3 Grantees

REAP's Environmental Specialist developed ERCs for all 11 grant applications submitted to USAID. These ERCs were subsequently approved by REAP's COP, COR and USAID's MEO. To develop the ERCs, REAP's Environmental Specialist conducted Initial Environmental Screening (IES) during REAP's grantee due diligence. In certain cases, where vulnerable areas were identified, the Environmental Specialist conducted secondary site visits to discuss mitigation measures that should be undertaken by the grantees during the implementation stage.

Environmental Monitoring

To monitor and ensure adherence to environmental standards, REAP's Environmental Specialist, in collaboration with REAP's Regional Coordinators and Monitoring and Evaluation Manager, conducted monitoring visits for REAP's Round 1 and 2 approved grant projects. During these meetings, environmental site memos were designed, recommendations and comments were provided, and the Georgian version of their EMMPs were distributed. REAP's Environmental Specialist observed no major problems during the site visits. The list of grantees visited can be found in the adjacent table.

PERSUAP Submission

At the request of USAID, REAP's Environmental Specialist and an international environmental consultant conducted a three week in-country assignment to update and revise USAID/Georgia's PERSUAP to ensure that all

Month	Grant Round1	Grant Round 2	Grant Round 3
January	AgroPharm + Farconi	Digmelashvili	Akolashvili
	Alva	Agrovita	Gile
	GBZ		Dr. George
			Dioknisi
			Gemuani
February	Iveria	Gvaza	Nektari
	Geoflower	Lomtagora	Chankseliani
	Tediashvili		Urushadze
	Agrokartli		Chkadua
			Santa
March			Zoreti
	AgroPharm + Lukagro	Aromaproduct	Nektari
		Georgian Fruit Company	Chankseliani
		Anaseuli	Urushadze
		Tsikoridze	Zoreti
		Farmers House	
		Eleniksta	
		Herbia	
		Ezoian	
		Campa	

USAID supported projects are in compliance with USAID’s environmental regulations (22 CFR 216). The initial assessment was conducted during Q1, and throughout Q2 REAP finalized the report and submitted for USAID/Georgia and USAID/DC’s approval.

Cross Cutting Activities

Gender

In Q2 mainstreaming gender perspectives throughout REAP’s activities continued through the following three pillars:

1. Facilitate the Development of Women-owned Agribusinesses:

- Gender Integration Plans for 11 grant applicants from the Gender Initiative RFA-003 were developed.
- In January REAP conducted three regional seminars for identified Gender Initiative participants on access to credit for women owned agricultural enterprises. The seminar covered topics such as an overview of loan application requirements and procedures. These sessions were organized in Adjara, Guria and Samegrelo and 35 entrepreneurs were in attendance. Due to a very positive feedback and high interest towards this topic, REAP will continue organizing such seminars for other regions in Q3.

2. REAP’s Women Targeted Outreach Campaign:

- In January 2015, in order to identify and reach out to qualified women applicants as well as ‘near qualifiers’ aimed at encouraging and supporting their participation in REAP’s Grant Program, REAP’s Gender Team developed and circulated an e-poster addressing women entrepreneurs to stimulate their interest in RFA №004/0115. The poster was circulated through REAP’s Facebook Profile Page, two gender specific networks – GTG and sub-group Gender and Agriculture, as well as CENN’s Georgia mailing list. In addition, the poster was published in a scientific-informational journal “Agrarian Georgia”.
- In March 2015, REAP’s Gender Specialist met women members of the Community Union “Nukriani” to deliver information on REAP opportunities. REAP’s grant application package was provided in case there were qualified women with the potential to apply for REAP’s last solicitation for the Grant Program. The Gender Specialist will follow up with the group to find out whether there is an interest to prepare applications for the upcoming round of REAP’s grant program.



3. Establishment and Launch of REAP’s Strategic Platform ‘Gender-Equitable Agricultural Development’

- During Q2, REAP's Gender Team worked under the establishment of REAP's strategic platform. On March 30th, 2015 a working meeting to develop an action plan platform was held and forty one women-entrepreneurs attended. On March 31st REAP organized an official launch event of the platform. This event was attended by REAP's COR, representatives of the MOA, APMA, Ministry of Economic and Sustainable Development and other donor-funded projects. Members of the platform had an opportunity to get information on various grant and technical opportunities presented by APMA, MoED's Entrepreneurship Development Agency, USAID/F2F, ENPARD, and EBRD.
- REAP's Gender Team has developed a number of tools aimed at increasing access to information (setting up a blog and Facebook fan page). Also, a special package of profile-raising materials to promote female agriculture entrepreneurs including publication of a special issue of a bi-annual bulletin was developed.

Access to Finance

In Q2, REAP's Access to Finance activities continued to accelerate beyond initial expectations. To date, REAP has successfully assisted enterprises in accessing more than \$12M in new commercial finance. In Q2, REAP's access to finance activities focused on providing targeted technical assistance to commercial banks and on providing access to finance assistance to female owned businesses that participated in REAP's Gender Initiative.

Technical Assistance to Bank Republic

In Q2, REAP began to provide technical assistance to Bank Republic (BR) to develop their agriculture lending strategy. Utilizing an international consultant, REAP began to conduct sub-sector data regarding the potential of various value chains. REAP also conducted an initial SWOT analysis and made detailed recommendations to BR's senior management regarding restructuring and loan processing procedures. The agriculture strategy for BR will continue to be developed over Q3 and will be presented to BR's Board of Directors by the end of June.

Terms of Cooperation with TBC Bank/Bank Constanta

In Q2, REAP finalized the Terms of Cooperation (TOC) with TBC Bank to provide targeted technical assistance in loan product development. This technical assistance will involve an international expert and a local consultant to work directly with TBC Bank's Microbusiness Team to assess and develop three new agricultural products geared at increasing access to affordable financing for SMEs and smallholder farmers. Technical assistance was initially planned to begin in Q2; however, due to the merger between TBC Bank and Bank Constanta, technical assistance



activities will begin in April and will last throughout Q3.

Access to Finance Orientation Training for Women Owned Businesses

To assist women owned businesses access commercial credit, REAP's Access to Finance and Gender Specialists conducted three training sessions for 35 women owned businesses. During these meetings, REAP presented an overview of the loan application and review process, provided information on available loan products and assisted business owners assess their credit needs vis a vis available loan products.

Workforce Development

In Q2, REAP continued its internship program to provide workforce development opportunities for university students. REAP is currently engaging 13 interns to work across a variety of program areas including: access to finance, environment, monitoring and evaluation, procurement, finance and administration, grant analysis and technical assistance. Each intern is paired with a specific REAP staff member who serves as their mentor.

To gain practical experience and improve students and agriculture professors awareness of modern technologies, REAP actively involves their participation at technical assistance events. To this end, REAP facilitated the participation of students and professors from the Agricultural University of Georgia and the agrarian department of the Georgian Technical University at REAP's pruning and grafting field days. REAP will continue this approach throughout the project to ensure broad participation of students and professors at its events.

Within REAP's mandate to facilitate linkages between academia and the private sector, REAP is currently working with Gori University and grant recipients located in Shida Kartli to formalize a MOU that will provide internship opportunities at REAP's grantees for university students studying bioscience and agribusiness management. The signing of this MOU will build upon a MOU already in place between Tbilisi State University and three of REAP's grantees. These internships will provide crucial on the job training and will assist companies' identify future qualified specialists. Over the course of the program, REAP will continue to facilitate industry linkages between vocational colleges, universities and the private sector.

Collaboration with Donors

In an effort to act on synergies between programs, in Q2 REAP held extensive collaboration meetings with the EU funded ENPARD Program and with APMA. As ENPARD is focusing on developing Georgia's primary production sector through cooperatives, beneficiaries are a natural supplier of raw material for REAP's processing grantees. To facilitate market linkages, REAP and ENPARD share a list of their beneficiaries and are planning a trade fair to be held sometime in Q4.

REAP held numerous coordination meetings with APMA to discuss REAP's programmatic activities and how REAP may benefit APMA supported companies. Collaborative discussions between REAP and APMA focused on grants to APMA's start-up processing enterprises and technical assistance to APMA's cheap loan beneficiaries. These discussions resulted in a co-financed RFA for grant applications and a targeted outreach program for APMA supported

companies. The co-financed RFA will focus on pre-selected processing enterprises identified by APMA. REAP will limit the size of their grant to \$30,000 which will be utilized to stimulate the bankability of these enterprises, enabling them to qualify for cheap credit and to launch their business.

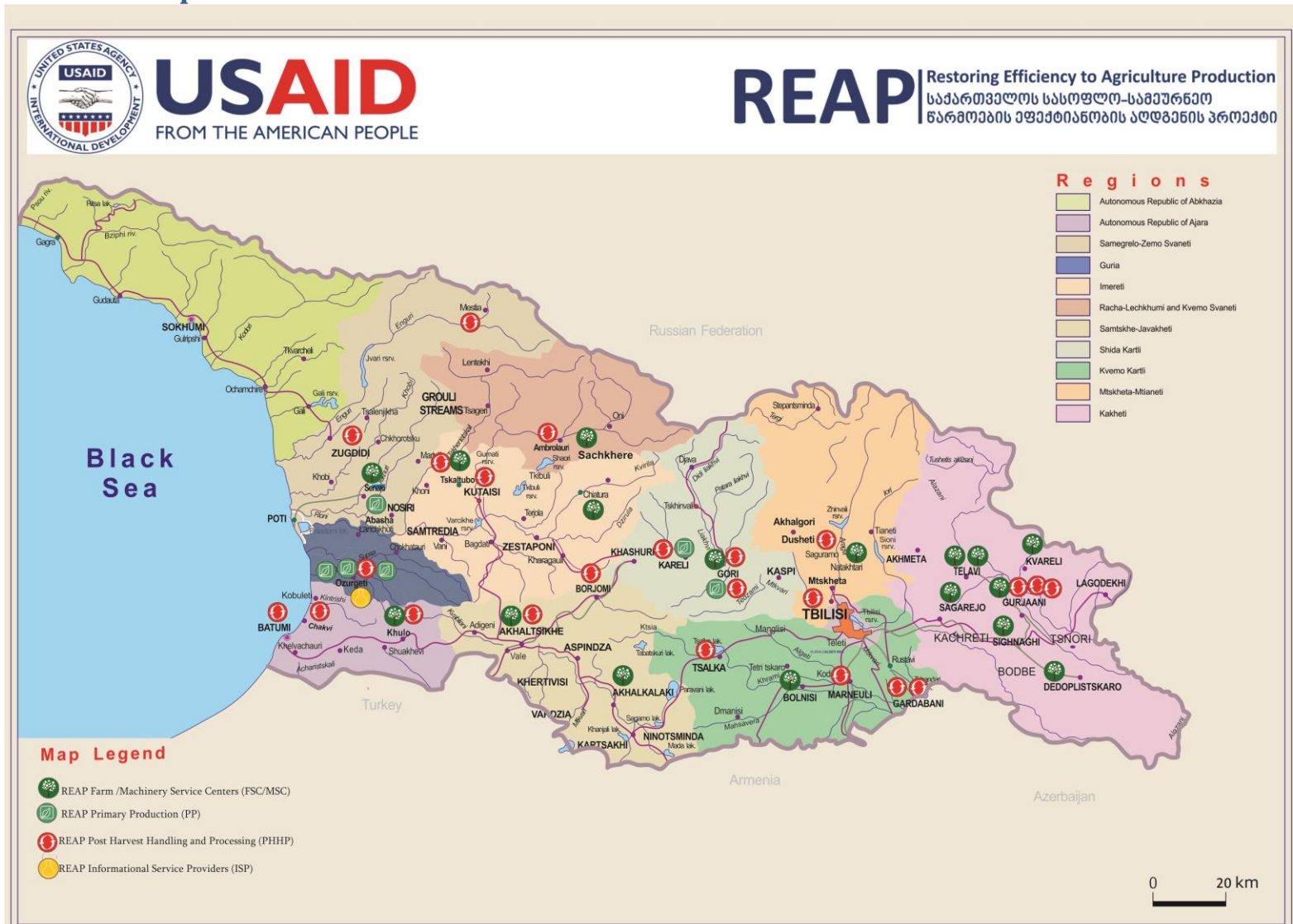
Key Constraints:

Programmatic

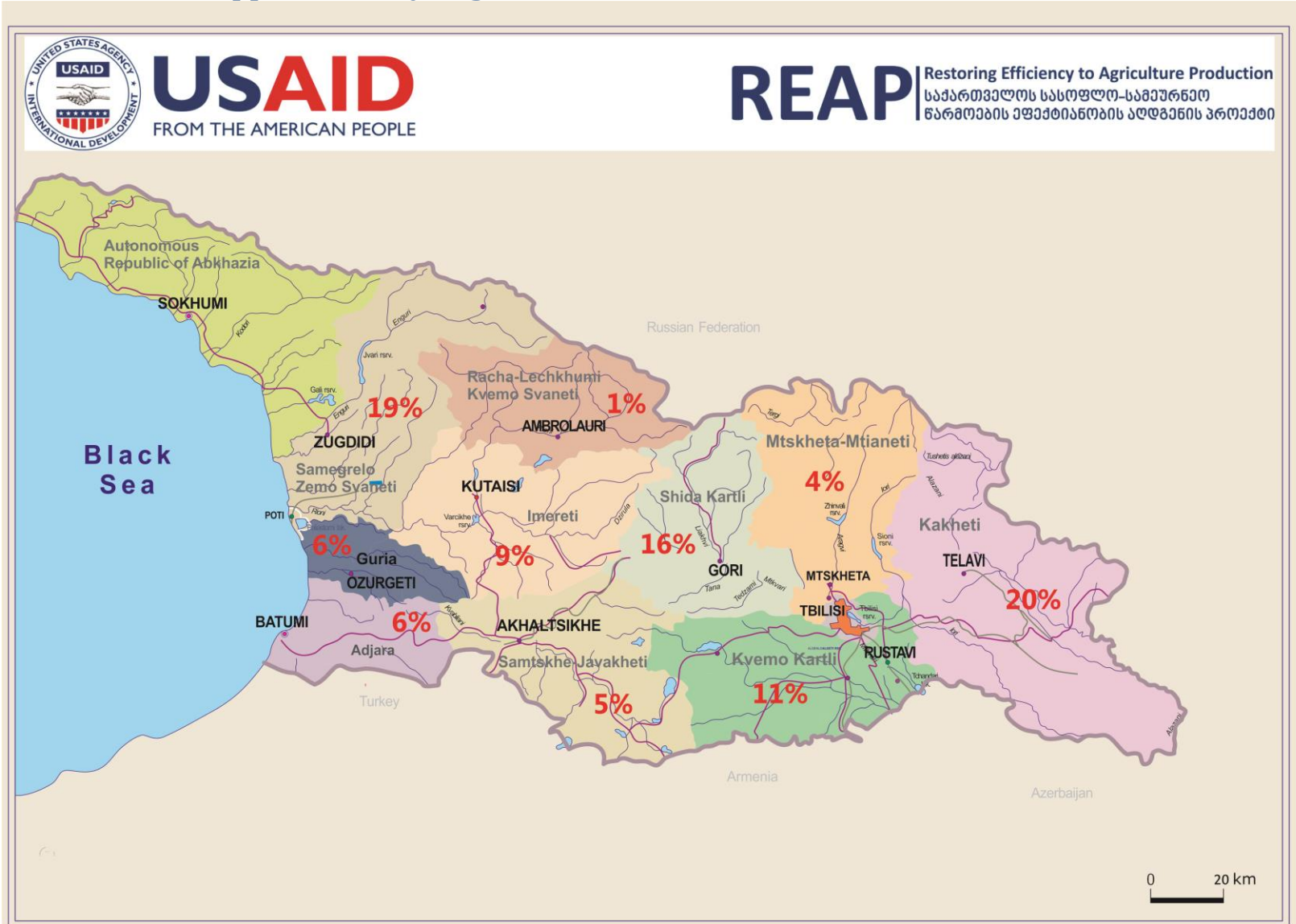
Procurement: REAP's authorized geographic code, 937 and 110, remain a main constraint for processing enterprises. REAP is working with each grantee to avoid procurements from non-eligible geographic areas and to restructure project budgets if necessary. REAP spent much of Q2 working to identify and communicate with a molding machine producer from the United States and NIS countries to procure this equipment for the round 2 grant project AgroExport. Due to an unsuccessful attempt in finding vendors within approved countries, REAP requested USAID a waiver for this procurement.

Grant Funding: After screening of RFA-004 applications, seventeen projects have surpassed scores of 70. The total requested budget by these applications is above 2M, which leaves REAP with very limited funds remaining in the grant portfolio. It would be difficult for REAP to satisfy all forthcoming eligible investment proposals for the last call anticipated for processing enterprises.

Annex A: Map of REAP Grantees



Annex B: REAP Applications by Region



Annex C: US Study Tour for Agribusinesses



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REAP Restoring Efficiency to Agriculture Production
საძარბაზოების სისტემების-სამეურნეო
ნარჩენების ეფექტურობის აღდგენის პროექტი

US Study Tour for Agribusiness Representatives

In January 2015, the US Embassy awarded funding for an International Visitors Leadership Program (IVLP) and invited two of USAID/REAP's grantees (Geoflower, LLC and Campa LLC) and one of REAP's gender initiative trainees (Keskia, LLC) to participate in a three week training course. The training course provided hands on training for the participants in agribusiness marketing and processing methods. Trainings were held in Iowa, Oregon and New York and provided the companies' representatives with an opportunity to interact with and learn from the experiences of U.S. business owners.



"The training provided by the International Visitors Leadership Program was interesting and useful for me. I was able to listen to the experiences and to learn directly from U.S. business owners. It was important for me to learn about how to enter the US market and this trip has given me clear ideas on how to improve my company's business activities. This was a very productive trip and I appreciate being able to see new marketing strategies. I look forward to building on the connections I made during this trip and entering the US food market." - stated Gocha Dzeladze, LLC Geoflower - (Cold Storage and Dry Fruit/Herbal Processing).

"Visiting the United States was very interesting and useful for me and will propel my future business activities. Companies that we met in US were ready to provide support and assist our business activities. Most importantly, I learned about a new hazelnut variety that I intend to use in trials in Georgia and will test the possibility of growing it based on our own climactic conditions.

I also had an opportunity to make connections with a number of other businesses for which I plan to stay in contact after I return to Georgia. The TRUCCO company, for example, is also in the hazelnut sector, and there is a possibility that I will establish business linkages with them.

In Albany, we had meetings with the New York State Department of Agriculture and Markets, the New York State Department of Economic Development, SUNY-Cobleskill, and Maple Hill Creamery. While in New York, we visited Stanton Dairy Farm which was an enlightening experience since my secondary business is silage production for cattle feeding. Observing their way of feeding cows and making silage gave me many new ideas to improve my silage business in the future." - Mari Kodua, Keskia, LLC - (Hazelnut/Silage Production).

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